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"S E C R E T SECTION 01 OF 02 TEL AVIV 002618

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SUBJECT: NETANYAHU OUTLINES FOR AMBASSADOR LIKUD'S WAY
FORWARD WITH THE PALESTINIANS

REF: TEL AVIV 2617

Classified By: Charge d'Affaires Luis G. Moreno, reasons 1.4 (b),(d)

¶1. (S) SUMMARY: In a private meeting with the Ambassador on November 20, Likud Party leader Benjamin Netanyahu confidently described his prospects to become the next Israeli prime minister and outlined his intent to form a broad, center-right coalition if his party prevails in February. Netanyahu assured the Ambassador that he intended to continue negotiations with the Palestinians, but his strategy would be to avoid discussing final status issues, which foiled all previous negotiations, and instead focus on an "economic peace plan." Netanyahu's vision would have Israel working with Jordan and foreign donors to inject large-scale investment in the West Bank to improve the daily lives of Palestinians. He added that he is not interested in Israel controlling the Palestinians, and that he would give them all sovereign powers except those that could endanger Israel. END SUMMARY.

NETANYAHU OPTIMISTIC ABOUT ELECTIONS,
PROJECTS BROAD, CENTER-RIGHT COALITION

¶2. (S) The Ambassador met with Likud Chairman Benjamin Netanyahu privately on November 20. Netanyahu was in an ebullient mood, the latest polls showing him with a growing Likud lead over Kadima (reftel). While cautioning that it is early to draw conclusions, he raised the possibility that the elections might turn out to be "a rout" as the tide of the political battle may be turning strongly in Likud's favor and away from Tzipi Livni's Kadima Party. He credited this to his own work over the past few years in broadening his support and attracting the return of major Likud Party figures such as Benny Begin and Dan Meridor ("they balance each other"), to Kadima's failure to lead, and to Ehud Barak's inability to prevent Labor's collapse. As a result, Netanyahu feels that he is in a strong position to lead from the center right. While projecting that the February elections might re-draw Israel's political map, he said he would not repeat his "mistake" in 1996 when he rejected a national unity government. This time, Netanyahu said he will seek a broad coalition given the gravity of the economic and security issues he will face (and which will presumably give him greater room to maneuver between left and right).

"ECONOMIC PEACE PLAN," NOT FINAL STATUS TALKS

¶3. (C) Netanyahu tried to assure the Ambassador that he did not intend to abandon negotiations with the Palestinians, and pointed to his speech closing the United Jewish Communities General Assembly as the latest expression of his thinking on an "economic peace plan." His overall plan calls for continuing diplomatic negotiations with the Palestinians,

regional cooperation with Jordan, and massive investment in the Palestinian Authority (PA) in order to give the Palestinians an incentive to seek peace - and the ability eventually to implement a peace agreement.

14. (C) Netanyahu said that negotiations between Israel and the Palestinians have not progressed because they focused on final status issues like Jerusalem and refugees - deeply contentious matters on both sides - rather than on the economy and improving the lives of Palestinian citizens. Attempts to "reach a deal on Jerusalem or bust" would again end in failure; "I will negotiate, and I've shown in the past I can compromise. But even if I were to negotiate on Jerusalem, nothing would happen, as it never has." He believes the Annapolis approach, which he was careful not to address directly, will not work because the development of the PA/West Bank will be too slow to support a final status agreement. Netanyahu's alternative vision would have negotiations and perhaps interim agreements as in the past, alongside intensive economic development in parts of the West Bank that would offer Palestinians tangible and significant improvements to their lives. "I know how to do this, and I can change the dynamic on the ground in a year. I will lead this effort myself, not delegate it." He explained that he has firm ideas he would seek to implement - some immediately upon taking office - including tourism projects in Jericho and factories in West Bank urban areas. When I asked about security, he said the IDF would continue to work with PA security forces, but that he would create economic projects in areas where access and security could be guaranteed. He anticipates that his plan would result in an increase in growth in Palestinian areas by 10 percent each year, with clear results achieved within the first six months.

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15. (C) Netanyahu would seek economic cooperation with Jordan in the West Bank, and he has met with Quartet envoy Tony Blair to discuss ways in which the former British premier could help. He explained that he is not interested in Israel controlling the Palestinians, and that he would give them all sovereign powers except those that could endanger Israel, such as control over borders and water, or entering into treaties, or maintaining defense forces.

TOUTS ABILITY TO DELIVER MOST OF THE RIGHTWING
ON AGREEMENTS WITH PA; WARNS THAT IRAN COULD
DERAIL ANY MOMENTUM

16. (S) "I can deliver two thirds of the Israeli right-wing on anything we agree with the Palestinians," whether on process or interim agreements. He allowed that one-third would continue to reject any deals with the PA, but he has been clear with his new recruits/returnees to Likud and potential coalition partners about his goals. He said he favors the two-state model, but it is not possible now. "If President Obama will work with me, we can make real progress." Netanyahu is aware that if Likud wins, his election and program will be greeted with suspicion, and the Ambassador noted that depending on how things evolved, Netanyahu might never get a chance to get into negotiations if he is not viewed as serious. He seemed confident he could manage the re-balancing he has in mind, saying, "I know how to compromise, but I also know how to produce results." The thing which could derail everything, he said, is Iran. If Iran crosses the nuclear line, the peace process will be impossible with Syria or the Palestinians and the entire regional dynamic will change. This has to be prevented. The Ambassador replied that one could argue as well that the demise of a credible negotiation with the Palestinians could also alter the regional dynamic and make it much more difficult, if not impossible, to shore up stability in the region and to successfully confront Iran, which is the major threat.

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